



Chino Mines Company, Hurley, New Mexico 88043 • (505) 537-3381

April 29, 2005

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Ms. Cindy Padilla, Director  
New Mexico Environment Department  
Water and Waste Management Division  
P.O. Box 26110  
Santa Fe, New Mexico 87502

Dear Ms. Padilla:

**Re: AOC Quarterly Report, First Quarter, 2005**

This letter constitutes the Chino Mines Company (Chino) written progress report for activities pursuant to the Administrative Order on Consent (AOC) during the reporting period from January 1 through March 31, 2005. This report is submitted and organized as outlined in Article IX, Section E of the AOC between the New Mexico Environment Department (NMED) and Chino.

**AOC Activities**

During the first quarter of 2005, the following major activities occurred:

- Chino initiated the Dispute Resolution process over the copper remedial action criteria (RAC) for the Hurley Soils Investigation Unit (IU).
- Chino submitted a Site Investigation Report and Shaft Closure Plan to address the Groundhog No. 5 Stockpile under an Interim Remedial Action.
- Chino analyzed archived samples by X-ray Fluorescence (XRF) under the Phase II Remedial Investigation (RI) for Hanover/Whitewater IU.
- Chino met or participated in phone conferences with the NMED on January 12, February 1, March 10, and March 30, 2005 to discuss current AOC activities.

**Hurley Soil Investigation Unit**

The NMED informed Chino in a letter dated November 12, 2004, that they had established a RAC for Hurley residential soil at 2,000 ppm copper. Chino initiated the informal dispute resolution process under Article XII of the AOC regarding the copper RAC on January 7, 2005. Because the issue was not resolved during informal dispute resolution, Chino initiated the formal dispute resolution on March 31, 2005.

In good faith efforts to demonstrate progress on the AOC, Chino began the Feasibility Study for the Hurley Soil IU in February 2005 with completion pending resolution of the copper RAC. In an additional demonstration of good faith, Chino once again proposed to begin remediation of soil in residential yards in Hurley with over 10,000 mg/kg copper under an interim remedial action. The NMED accepted Chino's proposal for the interim remedial action.

#### Hanover/Whitewater Creek Unit

The Phase II Remedial Investigation Proposal was submitted to the NMED in December 2004. Chino completed XRF analysis of archived samples as part of the Phase 2 workplan in mid-January. Concurrently, the NMED is preparing the baseline Human Health Risk Assessment (HHRA). The HHRA is projected for completion in April 2005.

A revised Site Investigation Workplan and a Shaft Closure Plan under an Interim Remedial Action for the Groundhog No. 5 Stockpile were submitted to the NMED and to the Mining and Minerals Division during the first quarter.

Approximately 260,000 tons of stockpile material were removed this quarter to an approved site under an Interim Remedial Action for the Groundhog Mine Site. The removal of the remaining stockpile material will be completed by April 30.

#### Ecological Unit

The Draft Ecological Risk Assessment dated September 2003 is pending finalization by the NMED. Chino collected samples in November 2004 for use in supplementing the Ecological Risk Assessment under the Smelter/Tailings RI.

#### Smelter/Tailings Unit

Chino completed the data analysis and data validation phase of the Smelter/Tailings RI during February and March. The RI Report will be submitted in May 2005.

Chino received the Smelter/Tailing IU Human Health Risk Assessment (HHRA) Workplan from Gradient Corporation, the NMED's risk assessment contractor, on January 19, 2005. Chino submitted comments on the HHRA on February 21, 2005.

#### Community Relations

The AOC Community Work Group (CWG) met on January 16, February 15, and March 15. Representatives from the NMED and Chino participated in the meeting. The CWG will hold their next meeting in April.

#### Next Quarter's Scheduled Activities

During the second quarter of 2005 it is anticipated that Chino will:

- Submit an Interim Remedial Action Workplan for remediation of Hurley residential yards.
- Complete the removal of the Groundhog Mine Site stockpiles.
- Submit the Remedial Investigation Report for the Smelter/Tailing Soils Investigative Unit.
- Initiate the closure plan for the Groundhog No. 5 Stockpile.

Ms Marcy Leavitt  
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Personnel Changes

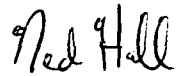
There were no personnel changes this quarter.

Problems and Solutions

There were no problems that adversely affected the AOC this quarter.

Please call Mr. Robert Quintanar at (505) 537-4228 with any questions or comments concerning this report.

Very truly yours,



E. L. (Ned) Hall, Manager  
Environment, Land & Water  
New Mexico Operations

ELH:pp  
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c Messrs: Chris Eustice, NMED  
Phil Harrigan, NMED  
Steve Lucero, MMD  
William Olson, NMED  
Ms. Petra Sanchez, EPA